

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 COME-00 IO-14 GSA-02 L-03 H-03

INT-08 PA-04 PRS-01 TAR-02 DODE-00 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 INRE-00 NSCE-00 SSO-00 USIE-00 EA-11

SCEM-02 /183 R

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COM/BDC:JOWENS

COM/BIC:FBROMLEY

EB/ICD:JJINGERSOLL

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FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA IMMEDIATE

UNCLAS STATE 242992

E.O. 11652: N/A

TAGS: EIND, ETRD, CO

SUBJECT: US FERROUS SCRAP EXPORTS

REF: A. BOGOTA 9931

B. BOGOTA 9042

C. STATE 234040

D. STATE 235452

1. INDIVIDUAL COUNTRY FERROUS SCRAP QUOTAS DESCRIBED IN
REFS C AND D WERE ALLOCATED ON BASIS OF MATHEMATICAL
FORMULA USING THREE-YEAR BASE PERIOD. MUCH THOUGHT AND
CAREFUL PLANNING WENT INTO THIS ALLOCATION, AND USG
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BELIEVES THAT PROGRAM IS MOST EQUITABLE ONE POSSIBLE,

TAKING INTO CONSIDERATION RECORD US DOMESTIC NEEDS AND FOREIGN REQUIREMENTS. COUNTRY QUOTAS WILL NOT RPT NOT BE MODIFIED FOR INDIVIDUAL COUNTRIES.

2. AS NOTED IN REFS C AND D, CONTINGENCY RESERVE OF 100,000 SHORT TONS FOR FIRST QUARTER CY 1974 HAS BEEN SET ASIDE FOR NEW ENTRANTS INTO SCRAP MARKET AND FOR INDIVIDUAL CASES OF UNIQUE HARDSHIP. FYI. IT APPEARS THAT PEOPLE'S REPUBLIC OF CHINA WILL BE ONLY FOREIGN MARKET TO QUALIFY UNDER "NEW ENTRANT" CATEGORY, AND NUMEROUS FOREIGN REQUESTS HAVE ALREADY BEEN RECEIVED FOR SPECIAL CONSIDERATION ON GROUNDS OF "UNIQUE HARDSHIP," WITH MORE EXPECTED TO FOLLOW. END FYI. SMALL AMOUNT OF CONTINGENCY RESERVE AND EXTREMELY HEAVY DEMANDS AGAINST IT MAKE IT HIGHLY UNLIKELY THAT

WE WILL BE ABLE TO MEET MORE THAN A FRACTION OF THE FOREIGN REQUESTS FOR SPECIAL CONSIDERATION.

3. SCRAP EXPORT CONTROL SITUATION FOR PERIOD BEYOND FIRST QUARTER CY 1974 IS AT BEST UNCERTAIN. FOREIGN REQUESTS FOR US SCRAP IN 1974 TOTAL AN ESTIMATED 18 MILLION SHORT TONS (VS. RECORD HIGH EXPORTS OF AN ESTIMATED 12 MILLION TONS THIS YEAR), AND DEPT COMMERCE ESTIMATES 1974 DOMESTIC US DEMAND AT RECORD 48 MILLION TONS. TOTAL ANTICIPATED 1974 DEMAND OF 66 MILLION TONS REPRESENTS 20 PERCENT INCREASE OVER RECORD 1973 DEMAND OF 55 MILLION TONS.

4. POLITICAL PRESSURE ON USG TO CURB SCRAP EXPORTS IS SEVERE. DOMESTIC SCRAP PRICES HAVE MORE THAN DOUBLED OVER PAST 12 MONTHS. LEGISLATION WHICH WOULD SUPERCEDE CURRENT EXPORT CONTROL PROGRAM AND SET STRICT 600,000 TON MONTHLY LIMIT ON EXPORTS HAS BEEN INTRODUCED IN CONGRESS. ALSO, SINCE PRODUCTION OF STEEL FROM SCRAP REQUIRES CONSIDERABLY LESS ENERGY THAN STEEL MAKING PROCESSES STARTING WITH IRON ORE, NEED FOR CONSERVING SCRAP IS FURTHER ACCENTUATED BY CURRENT ENERGY SUPPLY DIFFICULTIES. AS RESULT, AMENDMENT HAS BEEN ATTACHED TO ADMINISTRATION'S EMERGENCY ENERGY BILL WHICH WOULD REQUIRE DEVELOPMENT OF PLANS TO ALLOCATE FERROUS SCRAP SUPPLY AMONG DOMESTIC CONSUMERS ONLY.

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5. EMBASSY MAY DRAW ON PARA 3 AND 4 TO APPRISE COLOMBIAN GROUP OF CIRCUMSTANCES IN WHICH USG FERROUS SCRAP LICENSING POLICY FOR FIRST QUARTER CY 1974 WAS FORMULATED.

6. EMBASSY SHOULD ALSO ADVISE COLOMBIAN GROUP THAT WASHINGTON TRIP AT THIS TIME CAN SERVE NO CONSTRUCTIVE PURPOSE, AND THAT ANY SUCH TRIP SHOULD BE POSTPONED TO MID OR LATE FEBRUARY 1974, AT WHICH TIME US SCRAP PICTURE FOR

PERIOD BEYOND FIRST QUARTER OF 1974 MAY BE CLEARER. MUCH, OF COURSE, DEPENDS ON LONG-TERM IMPACT OF ENERGY SHORTAGES ON US ECONOMY AND LEVEL OF STEEL PRODUCTION. HOWEVER, EFFECT OF ENERGY SHORTAGES ON WORLD DEMAND FOR FERROUS SCRAP WILL NOT BE CLEAR FOR SEVERAL MONTHS.

7. IN MEANTIME, USG WOULD OF COURSE BE WILLING TO CONSIDER WRITTEN COLOMBIAN REQUEST FOR ADDITIONAL SCRAP. ANY SUCH REQUEST SHOULD CONTAIN FULL AND DETAILED RATIONALE FOR AMOUNT REQUESTED. HOWEVER, GIVEN EXTREMELY TIGHT SUPPLY PICTURE AND RECORD DEMAND, COLOMBIANS SHOULD BE CAUTIONED AGAINST EXPECTING ALL OR EVEN A SIGNIFICANT PORTION OF SCRAP AMOUNTS REQUESTED IN REF B. PORTER

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Draft Date: 12 DEC 1973
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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: JDMAIERS:JAG
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
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